Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

In the Matter of		
)	
Petition of the Verizon Telephone Companies)	
for Forbearance Under 47 U.S.C. § 160(c))	WC Docket No. 04-440
from Title II and Computer Inquiry Rules)	
with Respect to Their Broadband Services)	
)	

REPLY TO MOTION FOR EXPEDITED ORDER ON VERIZON PETITION FOR FORBEARANCE

Covad Communications Group, NuVox Communications, Inc., and XO

Communications, LLC, (hereinafter referred to collectively as "Movants"), by their

counsel, hereby submit their reply to the comments filed in response to their Motion for

Expedited Order¹ on the Verizon Telephone Companies' ("Verizon") petition seeking

forbearance from certain regulatory requirements applicable to its provision of broadband

services.² The circumstances that resulted in the relief requested in the *Verizon*Forbearance Petition taking effect by operation of law have deprived the industry and
the public of a Commission order addressing the substance of the petition, thereby

causing uncertainty and confusion as to the current scope of broadband regulation. The

Commission is on solid jurisdictional ground to issue an order describing and explaining

what relief, if any, it grants to Verizon. Indeed, it is the Commission's duty to the public

Motion for Expedited Order on Verizon Petition for Forbearance, WC Docket No. 04-440 (filed Jul. 25, 2007) ("Motion").

Petition of the Verizon Telephone Companies for Forbearance Under 47 U.S.C. § 160(c) from Title II and Computer Inquiry Rules with Respect to Their Broadband Services, WC Docket No. 04-440 (filed Dec. 20, 2004) ("Verizon Forbearance Petition").

interest to do so, and to take such action prior to ruling on any pending "me too" broadband forbearance petition.³

In the *Motion*, the Movants explained that the "deemed grant" of the *Verizon*Forbearance Petition does not create a jurisdictional limitation on the Commission's ability to subsequently issue an order addressing the merits of Verizon's request for forbearance. Moreover, it is imperative that the Commission issue an order to alleviate present and future confusion over the forbearance Verizon was granted. The Commission should deny Verizon any regulatory forbearance for its broadband services on the ground that Verizon has not met the substantive statutory requirements. At a minimum, however, the Commission should issue a written order limiting its grant of forbearance to the particular broadband services and the Title II regulations specified by Verizon in its February 7, 2006 ex parte letter. S

See Petition of ACS of Anchorage, Inc. for Forbearance from Certain Dominant Carrier Regulation of its Interstate Access Services, and for Forbearance from Title II Regulation of its Broadband Services, in Anchorage, Alaska, Incumbent Local Exchange Study Area, WC Docket No. 06-109; Owest Petition for Forbearance Under 47 U.S.C. § 160(c) from Title II and Computer Inquiry Rules with Respect To Broadband Services, WC Docket No. 06-125 ("Qwest Forbearance Petition"); Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) from Title II And Computer Inquiry with Respect to its Broadband Services, WC Docket No. 06-125; Petition of BellSouth Corporation for Forbearance Under 47 U.S.C. § 160(c) From Title II and Computer Inquiry Rules With Respect to its Broadband Services, WC Docket No. 06-125; Petition of the Embarg Local Operating Companies for Forbearance Under 47 U.S.C. § 160(c) from Application of Computer Inquiry and Certain Title II Common-Carriage Requirements, WC Docket No. 06-147; Petition of the Frontier and Citizens Incumbent Local Exchange Carriers for Forbearance under 47 U.S.C. § 160(c) from Title II and Computer Inquiry Rules with Respect to Their Broadband Services, WC Docket No. 06-147.

⁴ Motion, at 1.

Id., at n.2, referencing Letter from Edward Shakin, Vice President & Associate General Counsel, Verizon, to Marlene Dortch, Secretary, Federal Communications Commission, WC Docket No. 04-440 (filed Feb. 7, 2006) ("February 7 Ex Parte").

I. THE COMMISSION HAS AUTHORITY TO ISSUE AN ORDER ON THE MERITS OF THE VERIZON FORBEARANCE PETITION

Verizon opposes the *Motion* on the ground that the Commission does not have the authority to issue an order at this time. Verizon contends that when the statutory deadline passed without Commission action, the requested forbearance was deemed granted by operation of law, "thus terminating the proceeding on Verizon's petition."

Verizon contends further that there is no opportunity for judicial review once a petition for forbearance is deemed granted. Verizon argues that "[a]fter regulations have been removed pursuant to forbearance . . . the removed regulatory requirements could be reimposed only following the initiation of a new rulemaking proceeding."

To begin with, a Commission decision on the *Motion* must flow from the unique nature of the Section 10 forbearance provision. As the Chairman himself has stated, the statute is "unusual." Commission action to approve a forbearance petition – or to permit the relief requested to take effect through a deemed grant – does not repeal (or, in Verizon's words "remove") regulations. Rather, it results in the Commission "forbear[ing] from applying regulations." Thus, the Commission need not engage in a new rulemaking to "readopt" regulations, as suggested by Verizon. There are no rules to

Opposition of Verizon, WC Docket No. 04-440 (filed Aug. 13, 2007) ("Verizon Opposition") at 1, 4, 5-11.

⁷ *Id.*, at 2-3.

Id., at 14. Over a dozen parties petitioned for review of the Commission's disposition of the Verizon petition and those consolidated appeals currently are pending in the D.C. Circuit. See Sprint Nextel Corp. v. FCC, Case No. 06-1111 (D.C. Cir.) ("Sprint Nextel").

Verizon Opposition, at 7.

Speech of Federal Communications Commission Chairman Kevin J. Martin to the 2006 American Bar Association Administrative Law Conference, Washington, D.C. (Oct. 26, 2006).

¹¹ 47 U.S.C. § 160(a).

"readopt." As the Commission has acknowledged, it has more than sufficient authority to act at any time to reverse any grant and "reapply a regulation" so long as it does so by issuing a reasoned decision based on an adequate record. With respect to Verizon's petition, the Commission already has obtained a sufficient record. All it need do now is apply that record to issue a reasoned decision on the merits of Verizon's request.

Verizon and Qwest incorrectly characterize the *Motion* as seeking reconsideration of the deemed grant. ¹² To the contrary, the Movants are requesting that an order be issued addressing the merits of Verizon's forbearance request based on the original record. The statutory timeframe for filing a petition for reconsideration therefore is inapplicable. Nevertheless, regardless of the characterization of the "deemed grant," the Commission and the courts are in agreement that the Commission can issue a written decision on the merits of a case after the passing of a statutory deadline. To conclude otherwise would run contrary to common sense and congressional intent.

The Telecom Investors confirm in their comments that "the Commission may rescind, modify, or clarify its treatment of any forbearance 'deemed granted' to Verizon in whole or in part," and that to the extent the "deemed grant" of Verizon's petition afforded Verizon substantive relief, "the forborne FCC regulations and statutory provisions remain in effect and may be reapplied prospectively when circumstances

Verizon Opposition, at 3; Qwest Opposition to Motion for Expedited Order on Verizon Petition for Forbearance, WC Docket No. 04-440 (filed Aug. 13, 2007) ("Qwest Opposition") at 4. The New Jersey Rate Counsel also claims that the Movants are asking for reconsideration of the deemed grant and writes that "[u]nder FCC's rules, the time to file for reconsideration has expired." NJ Rate Counsel Comments, WC Docket 40-440 (Aug. 10, 2007) ("NJ Rate Counsel Comments"), at 1.

warrant."¹³ In fact, the Commission has clearly endorsed an interpretation of Section 10 in which it retains authority after the statutory deadline to act on the merits of a petition as being both reasonable and consistent with the public interest.¹⁴

As noted by the Telecom Investors, the Commission argued in *Core*Communications v. FCC, that "[t]he language of section 160(c) does not unambiguously provide that the Commission is disabled from acting on a forbearance petition if it fails to release a denial order by the statutory deadline."

The Telecom Investors note as well that the Commission has recognized that "Congress viewed the deadline and the 'deemed grant' provision simply as mechanisms to force timely action by the Commission, and not as a process for wholesale revision of the Act through inaction."

Furthermore, as the Telecom Investors indicate, the Commission expressly stated in the Omaha Forbearance Order that it retained the power to "reconsider" or modify the forbearance relief granted to Qwest in that order if justified by new information.

AT&T and Qwest assert that Congress, through Section 10, does not permit the Commission to revisit a forbearance petition that is deemed granted by operation of law.¹⁸ To the contrary, the plain language of Section 10 disproves this contention.

Telecom Investors' Comments in Support of Expedited Motion, WC Docket No. 04-440 (Aug. 13, 2007) ("Telecom Investors Comments"), at 5.

Core Communications Inc. v. FCC, 455 F.3d 267 (D.C. Cir. 2006), Brief for Respondents, at 31-33 ("Core Communications") (the Commission issued a Public Notice announcing a partial denial of forbearance by the statutory deadline but did not release the text of its decision until ten days later).

¹⁵ Core Communications, Brief for Respondents, at 31.

Telecom Investors Comments, at 6, citing Id., at 32.

Id., at 6, citing Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Omaha Metropolitan Statistical Area, 20 FCC Rcd 19415 (2005) ("Omaha Forbearance Order"), at n. 204.

Comments of AT&T, WC Docket No. 04-440 (filed Aug. 13, 2007) ("AT&T Comments") at 1, 3; Qwest Opposition, at 2-3.

Section 10 is silent as to what the Commission may or may not do subsequent to a deemed grant. Contrary to what Verizon, AT&T and Qwest suggest, in enacting Section 10, Congress had no intention of eschewing accountability for agency action. If, as the BOCs suggest, judicial review is precluded when a forbearance petition is deemed granted, the only avenue for accountability is Commission action, and Congress provided the Commission with sufficient discretion in Section 10 to adopt procedures to ensure that accountability.

The Movants take issue with AT&T's statement that the Movants are encouraging the Commission to "ignore the statutory consequences of its failure to deny the petition." AT&T intentionally mischaracterizes the Movants' request and the impact that it would have on Verizon. The "deemed grant" of Verizon's broadband forbearance petition will remain in effect until such time as the Commission issues an order addressing the merits of Verizon's petition. Further, any Commission order denying the petition in whole or in part would be prospective in nature. The order would not affect the lawfulness of Verizon's actions during the period of time the "deemed grant" was in effect.

In the *Motion*, the Movants referred to *Brock v. Pierce County* for the principle that the passing of a statutory deadline does not necessarily cause an agency to lose its power to act, especially when important public rights are at issue.²⁰ The Movants acknowledge, as pointed out by Verizon and Qwest,²¹ that the statute at issue in *Brock* did not provide any specific consequence in the event of a failure by the agency to meet

¹⁹ AT&T Comments, at 3.

²⁰ Motion, at 11, citing Brock v. Pierce County, 476 U.S. 253, 260 (1986) ("Brock").

Verizon Opposition, at n.13; Qwest Opposition, at 2.

the statutory deadline. Although Section 10 does specify the consequence of a failure by the Commission to act on a forbearance petition within the prescribed statutory timeframe (*i.e.*, the petition is "deemed granted"), Congress did not specify what the Commission could or could not do *subsequent to* the passing of the statutory deadline and the resulting "deemed grant." *Brock* is relevant for the principle that agencies should be permitted to act after a statutory deadline in order to avoid a "drastic remedy."²² The Commission itself has characterized the "deemed grant" of a forbearance petition as a "radical remedy" to be avoided.²³ Thus, the Movants urge the Commission to act in the public interest and act expeditiously to issue a written order on the merits of the *Verizon Forbearance Petition*.²⁴

²² Brock, 476 U.S. at 260.

Qwest Corp. v. FCC, 482 F.3d 471 (D.C. Cir. 2007), Brief for Respondents, at 25. Indeed, Commissioners Copps and Adelstein found the "deemed granted" result so objectionable that they have suggested they would approve a formal order granting forbearance that they would otherwise oppose in order to avoid another "deemed grant" by operation of law. See Fones4All Corp. Petition for Expedited Forbearance, Concurring Statement of Commissioner Copps, 21 FCC Rcd 11125 (2006).

²⁴ AT&T and Verizon cite a 7th Circuit case concerning the Bank Holding Company Act, Tri-State Bancorporation, Inc. v. Board of Governors of the Federal Reserve System, 524 F.2d 562 (7th Cir. 1975) ("Tri-State"), as support for their position that an agency may not subsequently deny a petition that has been deemed granted by operation of law. AT&T Comments, at 4-5; Verizon Opposition, at 8. Tri-State does not stand for this principle. Tri-State addressed questions surrounding when an application for approval of a bank holding company is deemed final for purposes of calculating when the statutory time period provided for acting on the application begins to run and the Court held that the statutory period begins on the date of submission of a "complete record." Tri-State, 524 F.2d at 563-564. Moreover, the facts in *Tri-State* are inapposite to the issues before the Commission in the *Motion*. Unlike here, in *Tri-State* the agency took final action (i.e., it denied the application). Further, and perhaps most importantly, unlike with respect to Section 10, the Bank Holding Company Act permits the agency to in effect extend the statutory deadline by withholding a determination that an application is complete, since the statutory timeframe does not begin to run until the application is deemed complete by the agency.

II. THE COMMISSION SHOULD EXPEDITIOUSLY DENY VERIZON'S PETITION OR, AT A MINIMUM, CLARIFY THE SCOPE OF RELIEF GRANTED

The record in this proceeding shows that the broadband marketplace is not fully competitive. As the Telecom Investors note, "[the RBOCs] clearly remain dominant in the local exchange market, especially for residential and small business customers, and remain by far the major supplier of last-mile connectivity for all commercial establishments."

Thus, as requested in the *Motion*, the Commission should issue an order denying Verizon any regulatory forbearance for its broadband services on the ground that Verizon has failed to meet the statutory requirements of Section 10.

If, however, the Commission decides not to deny Verizon's petition outright, at a minimum, the Commission must issue an order clarifying the scope of the relief granted to Verizon. The need for clarification has not been obviated by Verizon's comments in response to the *Motion*.

As the Commission is aware, Verizon sought relief from Title II of the Act and the Commission's *Computer Inquiry* rules²⁷ to the extent they imposed traditional common carrier regulations on Verizon's broadband services. At no point in its petition did Verizon explain or elaborate on what it means by "broadband services." Verizon's

Telecom Investors Comments, at 2.

Motion, at 1.

See Regulatory and Policy Problems Presented by the Interdependence of Computer and Communication Services and Facilities, Final Decision and Order, 28 F.C.C.2d 267 (1971); Amendment of Section 64.702 of the Commission's Rules and Regulations, Final Decision, 77 F.C.C.2d 384 (1980); Computer III Further Remand Proceedings: Bell Operating Co. Provision of Enhanced Services; 1998 Biennial Review – Review of Computer III and ONA Safeguards and Requirements, Report and Order, 14 FCC Rcd 4289 (1999) (collectively the "Computer Inquiry" rules).

February 7 Ex Parte clarified and significantly narrowed the forbearance requested in the petition by specifying the services and regulations for which Verizon sought forbearance. In the February 7 Ex Parte, Verizon set out two categories of services for which it sought relief: (1) frame relay, ATM, IP-VPN and Ethernet packet-switched services capable of 200 kbps in each direction; and (2) non-TDM based optical networking, optical hubbing and optical transmission services that are transmission services provided over optical facilities at OCn speeds. 29

Verizon concedes that the forbearance it was granted by default was "clarified" by the *February 7 Ex Parte*. Verizon states that "[w]hen the statutory deadline passed without Commission action, the petition for forbearance, *as clarified*, was deemed granted by operation of law. . "30 Verizon further states that "[i]n light of the *Wireline Broadband Order*, [it] clarified that its petition for forbearance sought for its stand-alone broadband transmission services the same relief the Commission provided in its order for broadband transmission services that are used for, or as an input to, broadband Internet access services." Verizon's representations are significant, but its reference to the *Wireline Broadband Order* in addition to the *February 7 Ex Parte* is confusing.

See February 7 Ex Parte.

Id., at 2-3. The broadband services specified by Verizon include Frame Relay Service, ATM Cell Relay Service, Internet Protocol – Virtual Private Network (IP-VPN) Service, Transparent LAN Service, LAN Extension Service, IntelliLight Broadband Transport, Custom Connect, Verizon Optical Networking, Optical Hubbing Service, and IntelliLight Optical Transport Service. See Id., Attachment 1.

Werizon Opposition, at 2-3 (emphasis supplied).

Id., at 2, citing to the February 7 Ex Parte.

Appropriate Framework for Broadband Access to the Internet Over Wireline Facilities, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 (2005) ("Wireline Broadband Order"), appeal pending, Time Warner Telecom Inc. v. FCC, Nos. 05-4769, et al. (3rd Cir.).

The public interest requires that the Commission clarify the current state of affairs. Because the Commission has failed to release a written statement specifying the broadband relief Verizon was "deemed granted" or is entitled to, and because there are six pending forbearance petitions seeking the same relief Verizon was "deemed granted," significant uncertainty and confusion remain concerning the current state of regulation of ILEC broadband services.³³ Adoption and release by the Commission of a written order detailing what, if any, forbearance is justified by Verizon's petition is necessary to alleviate that uncertainty and confusion.³⁴

After the announcement that Verizon's petition was "deemed granted," a number of other incumbent local exchange carriers ("ILECs") filed forbearance petitions seeking similar relief, relying on the "precedent" established in the Verizon forbearance proceeding.³⁵ Those carriers argue that because they are seeking relief identical to that Verizon received, the Commission has no discretion to deny or delay their requests, notwithstanding the fact that Verizon's petition was granted by operation of law due to the Commission's deadlocked 2-2 vote.³⁶ As noted in the *Motion*, Qwest even argues

As suggested by the Office of Advocacy of the U.S. Small Business Administration, the Commission should issue an order on the Verizon petition "to alleviate any confusion that the public may have with regard to precisely what the forbearance grant covers" and should do so "[i]n the interest of good governance and transparency." Comments of the Office of Advocacy, U.S. Small Business Administration, WC Docket No. 04-440 (filed Aug. 13, 2007), at 6.

The Commission also should find that it will immediately revisit any broadband services relief afforded to Verizon if the U.S. Court of Appeals for the Third Circuit reverses or remands the *Wireline Broadband Order*. Verizon's submissions make clear that it bases its request for forbearance on this order. *See, e.g., Verizon Opposition*, at 2. Thus, the Commission needs to ensure that any repudiation of its findings and conclusions in that order are reflected in the broadband forbearance Verizon enjoys.

³⁵ See n. 4, supra.

See, e.g., Owest Forbearance Petition, at 2.

that grant of its broadband forbearance petition is merely a "ministerial act" that the Commission has no discretion to deny.³⁷ These assertions attempt to usurp the Commission's duty to examine forbearance petitions pursuant to the statutory criteria of Section 10. The Commission should not condone this ploy and should issue a written decision that thoroughly explains how each petitioner meets or does not meet the standards for forbearance under Section 10(a).³⁸ In order to fully and properly address each of these "me too" broadband forbearance petitions in written orders within the statutory timeframe, however, the Commission should first adopt and release a substantive order on the Verizon petition in accordance with the requirements of Section 10(a).

In its opposition, Verizon acknowledges that "unique circumstances" were present at the time of the "deemed grant." There were only four sitting commissioners, those commissioners were deadlocked 2-2 on the Verizon petition when the statutory deadline approached, and none of the four commissioners supported granting Verizon the full relief sought in its petition. Two commissioners opposed Verizon's petition, and the other two commissioners supported granting the petition but only as limited by Verizon's February 7 Ex Parte. Those unique circumstances are no longer present, since the Commission now has five sitting commissioners. The Commission therefore is in a position to issue a written order on the merits of Verizon's petition.

Motion, at 20, citing Id., at 2.

See Telecom Investors Comments, at 5.

³⁹ Verizon Opposition, at n.6.

See Joint Statement of Chairman Kevin J. Martin and Commissioner Deborah Taylor Tate, WC Docket No. 04-440 (rel. Mar. 20, 2006); Statements of Commissioner Michael J. Copps and Jonathan S. Adelstein in Response to Commission Inaction on Verizon Forbearance Petition, WC Docket No. 04-440 (rel. Mar. 20, 2006).

The Movants emphasize that the issuance of an order by the Commission on the *Verizon Forbearance Petition* now will not interfere with or moot the consolidated appeals currently pending in the D.C. Circuit. The progression of and ultimate ruling by the court in the *Sprint Nextel* case and the Commission's issuance of an order on the Verizon petition are not mutually exclusive. In *Sprint Nextel*, the petitioners maintain that the Commission's 2-2 vote on the Verizon petition constitutes final agency action subject to judicial review. The petitioners maintain further that the Commission's 2-2 deadlock resulted in a denial of the petition. These arguments, which form the bulk of the petitioners' issues on appeal, would still be "live" if the Commission were to issue an order on the merits of Verizon's petition. By issuing an order on the Verizon petition, the Commission could provide the industry and the public with much-needed clarity without disturbing the judicial examination of the important issues raised by the petitioners in the *Sprint Nextel* appeal.

See Sprint Nextel.

⁴² *Id.*, at 24-36.

⁴³ *Id.*, at 16-22.

The NJ Rate Counsel writes in its comments that "any action by the FCC would undercut the rights of the parties to the appeal to have the appeal decided timely." NJ Rate Counsel Comments, at 2. This assertion is simply incorrect. The issues that the NJ Rate Counsel raised in Sprint Nextel will be addressed by the court separate and apart from any Commission action on Verizon's petition.

III. CONCLUSION

For all of the foregoing reasons, and as requested in the *Motion*, Movants urge the Commission to expeditiously adopt and issue a written order addressing the merits of the *Verizon Forbearance Petition* in accordance with Section 10(a) of the Act. The Commission should deny Verizon any regulatory relief for its broadband services on the ground that Verizon has not met the substantive requirements of Section 10.⁴⁵ Further, the Commission should expeditiously rule on the merits of the "me too" broadband forbearance petitions only after it has released a written decision in the Verizon forbearance proceeding.

Respectively Submitted,

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August 17, 2007

If the Commission fails to deny the petition, it should expressly limit the grant of forbearance to the particular types of broadband services and the Title II regulations specified by Verizon in its *February 7 Ex Parte*.

CERTIFICATE OF SERVICE

I, Tara Mahoney, hereby certify on this 17th day of August 2007, that copies of the foregoing Reply to Motion for Expedited Order on Verizon Petition for Forbearance were served via first-class mail, postage prepaid, on the following:

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